



Bromsgrove
District Council

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Anti Fraud & Corruption Strategy

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1. INTRODUCTION

Bromsgrove District Council is committed to protecting public funds against fraud and corruption. The Authority's Financial Regulations detail the Council's responsibility with regard to identifying and dealing with fraud and corruption. Financial Regulations also state that the Council should maintain an effective anti fraud and corruption culture and that all members and staff act with integrity and lead by example.

The Council's policy on fraud and corruption is detailed in the "Anti-Fraud and Corruption Policy Statement" in Section 3. The policy and strategy are designed to deter, prevent and detect fraud and to provide effective action against fraud and corruption both internally and externally.

Our policy for dealing with fraud applies to employees, members, contractors, consultants, suppliers, service users and members of the public who have dealings with the Council.

The Council has also adopted a "Fraud Strategy and Terms of Reference for the Investigation and Visiting Section" that details the Council's approach to investigating Housing, Council Tax and Social Security Benefit fraud.

1.1 The Council's Expectations: Members and staff

The Council's expectation is that Members and staff at all levels will act with integrity and lead by example in ensuring adherence to rules, procedures and regulations.

Procedures that guide Member and staff behaviour include:

- The Constitution.
- Member Code of Conduct.
- Officer – Member Protocol.
- Statutory Officer Responsibilities.
- Officer Code of Conduct.
- Conditions of Service.

1.2 The Council's Expectations: Third Parties

The Council also expects that any individuals or organisations with whom the Council deals in any capacity will behave towards the Council with integrity and without intent or actions involving fraud or corruption.

The Council expects the highest standards of probity in all its activities and has in place a framework of systems and procedures to assist in the fight against fraud and corruption.

1.3 The Council's Expectations: Summary

In summary, this document sets out the Council's clear commitment to fight fraud and corruption and also its arrangements for the prevention, detection, deterrence and investigation of such activities.

2. DEFINITIONS OF FRAUD, THEFT AND CORRUPTION

2.1 Fraud

Fraud includes deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment and collusion.

"Fraud can be defined as those intentional distortions of financial statements or other records which are carried out to conceal the misappropriation of assets or otherwise for gain." (CIPFA)

"Fraud involves the use of deception to obtain an unjust or illegal financial advantage." (Auditing Practices Board)

2.2 Corruption

A Member or employee is generally held to act corruptly when putting personal gain before public or corporate interests.

Corruption may be defined as a payment, favour or gift given to an officer or member of the Council as a reward, or as an incentive to that person for actions contrary to the proper conduct of their duties.

2.3 Theft

The "Theft Act 1978" defines theft as:

- a)** Obtaining services by deception - "A person who by any deception dishonestly obtains services from another shall be guilty of an offence".
- b)** Evasion of liability by deception – "Where a person by any deception:
 - Dishonestly secures the remission of the whole or part of any existing liability to make a payment, whether his own liability or another's; or
 - With intent to make permanent default in whole or in part on any existing liability to make a payment, or with intent to let another do so, dishonestly induces the creditor or any person claiming payment on behalf of the creditor to wait for payment (whether or not the due date for payment is deferred) or to forgo payment; or
 - Dishonestly obtains any exemption from or abatement of liability to make a payment".
- c)** Making off without payment – "A person who, knowing that payment on the spot for any goods supplied or service done is required or expected from him, dishonestly makes off without having paid as required or expected and with intent to avoid payment of the amount due shall be guilty of an offence".

2.4 Fraud

The “Fraud Act 2006” now covers a specific offense of fraud, specifically fraud by:

- false representation;
- failing to disclose information; and
- abuse of position.

The Act came into force on the 15th January 2007.

3. ANTI-FRAUD AND CORRUPTION POLICY

3.1 Statement of Intent

Bromsgrove District Council is committed to sound corporate governance and protecting the public funds that it administers.

The Council's policy on fraud is to:

- Prevent and deter it in the first instance.
- Detect it quickly.
- Investigate it efficiently.

The Council will not tolerate abuse of its services. Where our investigations show that fraud, theft or corruption has taken place, we will take positive and appropriate action against the perpetrators. The form of action taken will depend on the level and circumstances of the fraud discovered.

We will:

- Take disciplinary action against Council employees who have broken our rules and procedures.
- Prosecute offenders.
- Seek recovery of Council assets or funds or compensation if this is appropriate.

All members and officers must help the Council to apply this policy, by working to discourage, prevent and punish fraud and corruption by others.

3.2 Reporting of Fraud and Corruption

The Council expects all its Members and employees to report any concerns that they may have in respect of fraud and corruption.

Employees are an important element in the stand against fraud and corruption and are positively encouraged to raise any concerns, which might impact on Council activities. The methods by which concerns should be raised are contained in the "Fraud Response Plan" (Appendix A).

Employees who raise genuine concerns about fraud or corruption in the Council are fully protected by the "Public Interest Disclosure Act 1998". The procedure for raising concerns is detailed in the Council's "Confidential Reporting Code".

Members of the public are also encouraged to report concerns about fraud and corruption.

3.3 Responsibilities for the Investigation of Fraud and Corruption

The responsibility for the investigation of fraud and corruption perpetrated against the Council rests with Internal Audit and the Fraud Officers sited in the Benefits section. In some cases, Police or external agencies may also be involved.

4. STRATEGY FOR DEALING WITH FRAUD, THEFT AND CORRUPTION

4.1 Introduction

The Council recognises that it is impossible to prevent all theft, fraud and corruption. The Council's objective is to operate in ways that make theft, fraud and corruption difficult to commit, likely to be detected and then certain to be punished.

The Council's strategy covers the prevention, deterrence, detection and investigation of fraud and corruption.

4.2 Responsibilities

Each Member and employee is responsible for his or her own conduct, and for playing a part in the safeguarding of corporate standards.

This means that:

- Their own behaviour should be above reproach.
- They have a duty to report to an appropriate officer instances where they are aware of, or suspect that others may be behaving improperly or have reason to believe that the Council's systems may be unsound.

Elected members are required to operate within Sections 94 – 97 of the Local Government Act, 1972.

In addition, some officers have specific roles in particular areas as follows:

4.2.1 Section 151 Officer

The Council has a statutory responsibility, under Section 151 of the Local Government Act, 1972, to ensure the proper administration of its financial affairs and also to nominate one of its officers to take responsibility for those affairs. The Council's nominated officer is the Head of Financial Services.

The Section 151 Officer is responsible under Financial Regulations for:

- the development and maintenance of an anti-fraud and anti-corruption strategy.
- effective systems of internal control, which will ensure that public funds are properly safeguarded and used economically, efficiently and in accordance with the statutory and other authorities that govern their use.

4.2.2 Monitoring Officer

The Council's Monitoring Officer (Head of Legal and Democratic Services) is responsible under Section 5 of the Local Government and Housing Act, 1989, to guard against, inter alia, illegality, impropriety and maladministration in the Council's affairs.

4.3 Preventative Measures

The Council will take all reasonable steps to ensure that theft, fraud and corruption are difficult to perpetrate. The Council operates within a framework of:

- A Constitution.
- Members Code of Conduct.
- Officer Code of Conduct.
- Financial Standards and Regulations.
- Proper Systems and Controls.
- Internal Audit.
- Investigations and Visiting Section.
- Verification Framework.
- External Audit.

These are designed to prevent fraud and corruption and to enhance accountability to the public.

4.3.1 Constitution

The Council's Constitution regulates the behaviour of individuals and groups through codes of conduct, protocols, roles and responsibilities.

4.3.2 Member Code of Conduct

Members are required to observe the Members Code of Conduct when acting as a representative or conducting the business of the Council.

Members are required to register financial interests in the Authority's register by providing written notification to the Monitoring Officer (Head of Legal and Democratic Services).

The Member Code of Conduct incorporates general principles governing the official conduct of members and co-opted members.

4.3.3 Officer Code of Conduct

The Officer Code of Conduct sets out the standards which employees are expected to meet in conducting Council business. Staff who fail to live up to the standards are liable to disciplinary action.

In accordance with Section 117 of the Local Government Act, 1972, employees must disclose any personal interest in contracts that have been, or are proposed to be, entered into by the Council.

Section 117 also prohibits the acceptance of fees, gifts or rewards other than by way of proper remuneration from the Council. The Officer Code of Conduct (Section 14) provides detailed guidance to employees on offers of gifts or hospitality and the use of public funds entrusted to them.

4.3.4 Financial Standards and Regulations

Financial Standing Orders, Financial Regulations and Contract Procedure Rules set out the financial policies of the Council and provide the framework for managing the Council's affairs. They apply to every member and officer of the Council and anyone acting on its behalf.

4.3.5 Proper Systems and Controls

Management bears the main responsibility for ensuring that reasonable measures are in place to prevent fraud and corruption and the Council has proper systems and internal controls to ensure that public funds are properly safeguarded and used.

4.3.6 Internal Audit

The Council maintains an adequate and effective system of internal audit of its accounting records and control systems as required by the Accounts and Audit Regulations, 2006. The Internal Audit Section plays a proactive role in ensuring that systems and procedures are in place to prevent and deter fraud.

The Internal Audit Section carries out systems based reviews of all areas of Council activity and provides advice and assistance to management on procedures and controls.

The Internal Audit Section also identifies operational risks, and the relevant controls to mitigate them, in conjunction with Service Managers.

4.3.7 Investigations and Visiting Section.

Under Section 151 of the Local Government Act 1972, the Council needs to ensure that reasonable provision is made for the prevention and detection of fraud, including benefit fraud.

The Council administers Housing and Council Tax Benefits on behalf of the Department for Work and Pensions. Benefit Investigation Officers will investigate cases involving various combinations of Housing Benefit, Council Tax benefit and Social Security Benefits. The officers work within the following legislation:

- Police and Criminal Evidence Act 1984.
- Data Protection 1998.
- Social Security Legislation.
- Regulations of Investigatory Powers Act 2000.

- Departmental Lone Working Policy
- Fraud Strategy and Terms of Reference.
- National guidelines on Social Security and Criminal Investigations.

4.3.8 Verification Framework

In September 2002 the Government introduced the Verification Framework, which is a “Good Practice Guide” developed by the Department for Work and Pensions and is applied to all benefit claims. The guidance is designed to:

- Detect and prevent fraudulent benefit claims.
- Set a minimum standard of evidence needed for a benefit claim to be assessed.
- Encourage accuracy in calculating benefit claims from the start of a claim.

4.3.9 External Audit

The external auditor has a responsibility to review the Council’s arrangements in respect of preventing and detecting frauds and irregularities, and arrangements designed to limit the opportunity for corrupt practices.

Whilst it is not the external auditor’s responsibility to prevent fraud and irregularities, they are always alert to the possibility of fraud and corruption and will take action if grounds for suspicion are identified.

4.4 Deterrence and Detective Measures

4.4.1 Management Checks

It is important that managers at all levels within the Council are alert to potential problems in their work area and that adequate and effective safeguards are in place to prevent financial irregularities. However, managers should also satisfy themselves that checks are in place at the appropriate levels, so that in the event of a breach, any irregularity would be picked up promptly, so minimising any loss to the Council.

4.4.2 Whistleblowing

Employees play a vital role in detecting fraud, theft and corruption. All employees are encouraged to discuss their concerns with line management. The procedure for raising concerns is detailed in the Council’s “Confidential Reporting Code”.

4.4.3 Prosecution

The Council is determined to deal with fraudsters in the strongest possible terms.

The Council will involve the Police to pursue the prosecution of offenders. This is designed to deter others from committing offences against the Council.

4.4.4 Disciplinary Action

The Council will treat fraud and corruption committed against it by employees as a serious offence. Employees will face disciplinary action where there is evidence that they have been involved in these activities. Disciplinary action may result in dismissal from the Council's service.

4.4.5 Publicity

Press releases and publicity about theft, fraud and corruption may be used to act as a deterrent to potential fraudsters.

4.4.5 Restitution

Where fraud and corruption is proved and the Council has suffered a financial loss, then the Council will seek to recover the full value of any loss from the perpetrators.

4.5 Investigation and Reporting

4.5.1 Investigation

The Council will ensure that all investigations carried out into suspected fraud and corruption will comply with legislative requirements.

The Internal Audit Section and the Investigation and Visiting Section are responsible for the investigation of all suspected fraud and corruption. However, the Investigation and Visiting Section will handle specific Housing, Council Tax and Social Security Benefit fraud cases.

4.5.2 Investigation Reporting and Follow Up

Most instances of fraud and corruption highlight a lack of adequate internal control. It may be that the system was weak or that the controls were bypassed or not in existence.

The Council expects all managers to respond to, and act upon, reports issued following any investigation. Recommendations made in any investigation reports should be implemented to reduce the risk of the event recurring.

4.5.3 Confidential Reporting Code

The Council will deal promptly with suspicions and allegations of theft, fraud or corruption. The Council's "Fraud Response Plan" gives basic guidance to employees and managers of the authority to help them take the right action and contact the right people. It also outlines the way in which fraud and irregularity investigations will be conducted.

The “Fraud Response Plan” is based on guidance issued by the Audit Commission and is attached at Appendix A.

In addition to the “Fraud Response Plan”, the:

- Internal Audit Section has adopted a “Fraud Approach”, which provides detailed guidance on how fraud and irregularity investigations will be conducted.
- Internal Audit Section has also adopted a Fraud Risk Assessment Policy that enables all allegations and referrals to be risk assessed and prioritised.
- Investigation and Visiting Section has adopted a “Fraud Strategy and Terms of Reference” that outlines how Housing, Council Tax and Social Security Benefit investigations will be conducted.

4.5.4 External Reporting

The Audit Commission requires the Council to report cases of fraud and corruption on an annual basis as follows:

a) Fraud

- Where there has been intentional distortion of records to conceal the misappropriation of assets or other for gain.
- Individual cases with a value exceeding £1,000.

b) Corrupt Acts

- Where the offering, giving, soliciting or acceptance of inducements may have influenced a person’s actions.
- All cases regardless of value.

A “Fraud and Corruption Annual Return” is sent to the Audit Commission via the Authority’s external auditors.

5. RELATED DOCUMENTS

- 5.1 Conditions of Service.
- 5.2 Confidential Reporting Code.
- 5.3 Contract Procedure Rules.
- 5.4 Financial Standards and Regulations.
- 5.5 Fraud Risk Assessment Policy
- 5.6 Fraud Strategy and Terms of Reference for the Investigation and Visiting Section.
- 5.7 Gifts and Hospitality Code.
- 5.8 Internal Audit Fraud Approach.
- 5.9 Member Code of Conduct.
- 5.10 Officer – Member Protocol.
- 5.11 Officer Code of Conduct.
- 5.12 Statutory Officer Responsibilities.
- 5.13 The Constitution.

FRAUD RESPONSE PLAN

1. Reporting Suspected Fraud, Corruption or Other Malpractice

1.1 Employees

Employees are encouraged, and indeed expected, to raise any concerns that they may have about fraud or corruption in the workplace, without fear of recrimination. Such concerns will be treated in the strictest confidence and will be properly investigated. If you suspect a fraud within the workplace, there are a few simple guidelines that should be followed:

DO:

- Make an immediate note of your concerns.
- Convey your suspicions to someone with the appropriate authority and experience (see below).
- Report the matter promptly, if you feel your concerns are warranted.

DO NOT:

- Do Nothing.
- Be afraid of raising your concerns.
- Approach or accuse any individual directly.
- Try to investigate the matter yourself.
- Convey your suspicions to anyone other than those with the proper authority.

Deciding who is the appropriate person to contact within the Council will depend on the seriousness of the matter and who is suspected of being involved in the theft, fraud or corruption. Within your department the appropriate contact could be any of the following:

- Corporate Director.
- Head of Service.
- Your Line Manager.

If you think that management is involved, then an approach should be made to:

- The Chief Executive.
- Section 151 Officer (Head of Financial Services).
- Monitoring Officer (Head of Legal and Democratic Services).
- Internal Audit Section.

1.2 Elected Members

Elected members should normally report any concerns to any of the following:

- The Chief Executive.
- Section 151 Officer (Head of Financial Services).
- Monitoring Officer (Head of Legal and Democratic Services).
- Internal Audit Section.

1.3 The Public

The General Public are also encouraged to report any concerns through any of the above officers.

Any information concerning suspected fraud or corruption involving an Elected Member must be referred to the Chief Executive.

In the event that any person feels unable to raise their concerns with an Officer of the Council, they may wish to report those concerns to the Council's external auditor.

2. Action Following Allegations of Theft, Fraud or Corruption

2.1 Managers

There are some common sense guidelines issued by the Audit Commission that managers should apply in all cases where fraud or corruption is suspected in the workplace.

DO:

- Be responsive to staff concerns.
- Note details.
- Evaluate the allegation objectively.
- Deal with the matter promptly if you feel your concerns are warranted.
- Advise the appropriate person (as detailed in 1.1 above).

DO NOT:

- Ridicule suspicions raised by staff.
- Approach or accuse any individuals directly.
- Convey your suspicions to anyone other than those with the proper authority.
- Try to investigate the matter yourself.

2.2 Fraud and Corruption

Any manager who has received information about any suspected fraud or corruption must report it immediately to their Corporate Director and the Internal Audit Section.

2.3 Theft

In the case of theft, the manager should contact the Chief Executive. A decision will then be made on the most effective action to take and whether the Police should be contacted, if sufficient evidence exists to indicate that a theft has occurred. The Council's insurance officer should also be notified.

3. Investigating and Acting Upon Suspected Theft, Fraud or Corruption

3.1 Investigation

Any information concerning suspected fraud or corruption involving an elected member will normally be referred to the external auditor and / or the Police.

The Internal Audit Section, in conjunction with the Fraud Officers sited in the Benefits section, will investigate all other potential or alleged cases of fraud, corruption or breach of "Financial Standards and Regulations".

Managers will co-operate fully with the Internal Audit Section and / or the Police during any investigation.

3.2 Interviews

Interviews will only be conducted by the Police or by officers who have adequate training and awareness of the correct procedures to be followed, including the Police and Criminal Evidence Act (1984).

3.3 Evidence

Evidence of fraud or corruption must be gathered objectively, systematically, and in a well-documented manner.

3.4 Criminal Proceedings

Senior Management will deal swiftly fairly and firmly with those who offend against the Council.

The Monitoring Officer (Head of Legal and Democratic Services) will be consulted when referring a case to the Police, where there appears to be sufficient evidence for criminal proceedings.

3.5 Disciplinary Action

Senior managers will implement the Council's disciplinary procedure where appropriate.

4. Reporting and Follow Up of Fraud and Corruption

4.1 Investigation Reporting

Following all investigations, a report will be prepared and distributed to the appropriate personnel, including:

- The Chief Executive.
- Corporate Director - Resources.
- Corporate Director - Services.
- Monitoring Officer (Head of Legal and Democratic Services).
- Service Manager.

4.2 Report Recommendations

All investigation reports will make appropriate recommendations to improve internal control, if weaknesses in systems have presented the opportunity to perpetrate a corrupt or fraudulent act.

Managers will take prompt action to implement any recommendations made by the report.

4.3 Reporting to External Audit

The Council will inform their external auditors of cases of theft, fraud or corruption in the following circumstances, where the:

- value is significant (in excess of £1,000).
- the case may be relevant to other organisations.
- the case is politically sensitive.
- the fraud may be material to the authority's accounts.
- wider powers of interview from the external auditor can assist the investigation.